

On the basis of Article 34 paragraph 2 of the Act on the Government of the Republic of Srpska (“Official Gazette of Republic of Srpska”, No. 3/98) and Article 12 of the Act on conditions and way of settling of obligations on the basis of account of the old foreign currency savings by issuing of bonds in the Republic of Srpska (“Official Gazette of Republic of Srpska”, number 1/08), and in accordance with the Provision on the procedure of verifying of claims and cash payments on the basis of accounts of old foreign currency savings in the Republic Srpska (“Official Gazette of Republic of Srpska”, No. 102/06, 1245/06, 17/07, 62/07 and 105/07), Government of Republic of Srpska, on the session of 21st February 2008 has made the following

DECISION

ON ISSUING OF BONDS OF REPUBLIC OF SRPSKA FOR SETTLING OF OBLIGATIONS ON THE BASIS OF VERIFIED ACCOUNTS OF OLD FOREIGN CURRENCY SAVINGS

I

(1) In order to settle the debt of the Republic of Srpska on the basis of verified accounts of foreign currency savings, and on the basis of the Act on conditions and way of settling of obligations on the basis of accounts of old foreign currency savings by issuing bonds in the Republic of Srpska (“Official Gazette of the Republic of Srpska”, number 1/08), (in further text referred to as: Act), the Republic of Srpska will issue bonds in accordance with this decision.

(2) The amount of issued bonds from paragraph (1) of this item is 209.742.717,00 BAM, which is made up of the unpaid amount of verified obligations on the basis of accounts of old foreign currency savings after cash payments.

(3) The amount from paragraph (2) of this item represents the sum of individual verified amounts, minus the paid off cash payments and after the write-off of the amount in Fenings for each creditor.

II

The basic elements of bonds from item I of this decision are:

- 1) issuer: the Republic of Srpska;
- 2) nominal value of issue: 209.742.717,00 BAM;
- 3) name of issue: obligations on the basis of verified accounts of old foreign currency savings;
- 4) type of bonds: long term bonds with return on interest (coupon), unlimited transferability, in a non-materialized form, on the name;

- 5) nominal value of one bond: one Bosnian Mark;
- 6) type of issue: primary issue;
- 7) ordinal number of issue: first issue;
- 8) number of issued bonds: 209.742.717;
- 9) date of issue: 28th February 2008;
- 10) maturity deadline: five years from the date of issue;
- 11) interest rate: fixed, 2,5% per annum, calculated for the rest of the capital amount with the application of the linear model of calculating interest.

III

- (1) Bonds carry interest on the capital amount at a rate of 2,5% per annum. The interest is calculated half-yearly.
- (2) The owner of a bond has a right to a proportionate part of the capital amount and the belonging part of the interest calculated for the rest of the capital amount in half-yearly periods.
- (3) First payment of interest and capital amount will be done on 28th August 2008, for the period from (and including the date of issue) 28th February 2008 to (but not including) 28th August 2008. The following capital amounts and interest will be paid half-yearly according to the following plan:

28th February 2009; 28th August 2009; 28th February 2010; 28th august 2010; 28th February 2011; 28th august 2011; 28th February 2012; 28th august 2012 and 28th February 2013.

IV

The capital amount and interest of the bonds will be paid half-yearly.

V

- (1) Interest, as well as the capital amount will be paid within a period of seven days from the day of calculation of interest, in other words the maturity date of the capital amount by transfer of funds to the account of the owner of bond.

(2) Payment is done in accordance with the following payment plan:

Date	Nominal value	The rest of the nominal value	Rate of payment	Payment of capital amount	Payment of interest	Payment of annuity
28.8.2008.	209,742,717.00	209,742,717.00	10%	20,974,271.70	2,621,783.96	23,596,055.66
28.2.2009.	209,742,717.00	188,768,445.30	10%	20,974,271.70	2,359,605.57	23,333,877.27
28.8.2009.	209,742,717.00	167,794,173.60	10%	20,974,271.70	2,097,427.17	23,071,698.87
28.2.2010.	209,742,717.00	146,819,901.90	10%	20,974,271.70	1,835,248.77	22,809,520.47
28.8.2010.	209,742,717.00	125,845,630.20	10%	20,974,271.70	1,573,070.38	22,547,342.08
28.2.2011.	209,742,717.00	104,871,358.50	10%	20,974,271.70	1,310,891.98	22,285,163.68
28.8.2011.	209,742,717.00	83,897,086.80	10%	20,974,271.70	1,048,713.59	22,022,985.29
28.2.2012.	209,742,717.00	62,922,815.10	10%	20,974,271.70	786,535.19	21,760,806.89
28.8.2012.	209,742,717.00	41,948,543.40	10%	20,974,271.70	524,356.79	21,498,628.49
28.2.2013.	209,742,717.00	20,974,271.70	10%	20,974,271.70	262,178.40	21,236,450.10

VI

In case of delay of payment of interest, as well as the capital amount from bonds after expiration of the period of seven days, from item V paragraph (1) of this decision, the Ministry of Finances will pay the legal default interest.

VII

The funds for settlement of obligations on the basis of this issue will be secured from the budget of the Republic of Srpska.

VIII

The bonds represent direct and unconditional obligation of the Republic of Srpska, they are mutually equal and are the smallest in the same rank with all other current and future obligations for whose execution the Republic of Srpska will secure funds.

IX

(1) The bonds are entered into the Central register of valuable papers a.d. Banja Luka (further in text referred to as: central register).

(2) The right to ownership of bonds and the right to disposal can be obtained on the day of entering of bonds into the Central register.

(3) The person authorized for implementing of the Decision on issue will, within eight days of the day of making of the Decision on issue, submit to the Central register a request for registration (entering) of bonds and a request for a report on obligations on the basis of verified accounts of old foreign currency savings which are performed by

issuing of bonds, and which are verified in accordance with provisions of the Act and the Provision.

(4) For the accuracy of the data in the report, which the authorized person delivers to the Central register, responsible is the Agency for mediation, information, and financial services a.d. Banja Luka.

The central register will, on the basis of the received Decision on issue, as well as the request for registration of bonds with the report from item IX of this decision, register the issue, open and manage the accounts of the owners of bonds, perform registration and take care of the data on obtaining of ownership and rights from bonds, and issue reports, excerpts and certificates about the state and changes on accounts of owners of bonds, in accordance with the regulations which regulate the market of valuable papers and by the Acts of the Central register.

XI

(1) The Republic of Srpska can, at any time, buy back bonds at any price on the market or in another way, in accordance with the decision of the Government of the Republic of Srpska, under the condition that, in case of a purchase by public bid, such a bid is equally available to all owners of bonds.

(2) The owner of bond does not have the right to ask for a premature maturity date of bonds i.e. pronounce any bond mature and payable before its maturity date.

XII

Income from interest and capital gains on the basis of bonds will not be taxed.

XIII

The Republic of Srpska will not be entered into the register of issuers at the Commission for valuable papers of the Republic of Srpska.

XIV

(1) The Central register is obliged to inform the Banja Luka stock exchange a.d. Banja Luka (further in text referred to as: Banja Luka stock exchange) about the registration of the bonds.

(2) On the basis of the report of the Central register, bonds issued in accordance with the Act will be inserted into the official stock exchange market of the Banja Luka stock exchange.

(3) Trade of bonds on a secondary market is performed in accordance with the regulations by which regulated is the trade of valuable papers.

- (4) The price of bonds, inserted into the official stock exchange market of the Banja Luka stock exchange, will be based on a so called clean price i.e. will not include the accrued interest. Payment after the performed purchase of bonds on the official stock exchange market will be done at the trade price, increased by the accrued interest for the period from the last payment of interest to the presumed day of settlement, not including the presumed day of settlement.
- (5) For the calculation of accrued interest from the bonds taken is the actual number of days in the period for which interest is calculated, i.e. for the period from (and including) the maturity date of the previous coupon until (but not including) the maturity date of the following coupon.

XV

- (1) The jobs of the payments agent will be done by the Central register in accordance with the concluded agreement.
- (2) Funds for payment of the mature capital amount and calculated interest of bonds the payments agent will, in accordance with the deadline defined in item V of this decision, pay through the payment system to the owner of bond, without deduction of costs and fees by the Central register.

XVI

In case of a dispute, the parties will resolve their mutual rights and obligations in accordance with the laws that regulate this area before the Basic Court of Banja Luka.

XVII

The Ministry of Finances will be in charge of realization of this decision, and the minister of finances is the person authorized for implementing the decision on issue.

XVIII

This decision goes into effect on the day of its making, and it will be published in the "Official Gazette of the Republic of Srpska" and at least one daily newspaper on the territory of Bosnia and Herzegovina.

Number: 04/1-012-338/08
21st February 2008
Banja Luka
President of Government
Milorad Dodik, s.r.